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UNITED NATIONS CONFERENCE
ON TRADE AND DEVELOPMENT

EDITORIAL

The momentous events of the past year might have diverted attention away from the debt problem, but for many developing countries the debt burden continues to pre-empt resources which could otherwise finance much-needed investment and growth. It therefore represents a major obstacle to their economic recovery.

An increasing proportion of developing country debt–half in the case of all debtors combined and 70 per cent for the low-income category in 1990–is official debt owed to governments and to multilateral institutions. The hopes of many developing countries are, therefore, understandably focused on the Paris Club, the creditors' forum in which the bilateral component of official debt is rescheduled. Testifying to the acuteness of debt-servicing difficulties, the average number of Paris Club reschedulings rose to 22 in 1989-1990 from 16 in the previous six years. For the UNCTAD secretariat, this recent period has witnessed an increased demand for the advisory services it has made available to debtors in connection with their Paris Club negotiations since 1978.

UNCTAD has also been active in advocating more flexible Paris Club practices and easier terms. A major advance in this direction occurred in 1988 when the Toronto Agreement sanctioned debt reduction for low-income countries. The scale of relief actually obtained by debtors under the Agreement, however, has been very modest. Recognizing this, some creditors propose to go further. The Netherlands, for example, have called for the cancellation of all official bilateral debt owed by the LDCs and other low-income countries facing severe debt problems, while the United Kingdom favours a two-thirds cancellation and the rescheduling, over 25 years, of the remainder.

An UNCTAD secretariat study suggests that the British proposal, if implemented, would go far towards reconciling debt-service obligations with the capacity to pay of many of the potential beneficiaries. For several others, mainly countries whose debt is largely owed to non-Paris Club creditors and to multilateral institutions, additional measures would be required.

It is to be hoped, therefore, that the forthcoming London Summit of the Group of Seven will address these issues. Indeed, the recent 50 per cent official debt reductions granted to Poland and Egypt, two middle-income countries, provide grounds for hoping that the Seven, both in their capacity as bilateral creditors and as shapers of the lending policies of the multilateral institutions, would be willing to agree to appropriately generous treatment of the bilateral and multilateral debt owed by heavily-indebted low-income countries which are engaged in courageous adjustment and reform efforts.

The United Nations Conference on Trade and Development (UNCTAD) was set up by the General Assembly in 1964 as one of its permanent organs, mandated to promote international trade, particularly that of developing countries, with a view to accelerating their economic development. UNCTAD has evolved into a universal forum with a development perspective, in which member States review the interdependence of economies and of issues in trade, money and finance. UNCTAD is composed of 166 member States, including the 159 members of the United Nations; many intergovernmental and non-governmental organizations have observer status. The Conference normally meets every four years at ministerial level to establish policy guidelines. Between sessions, work is carried out by the Trade and Development Board and its standing committees dealing with commodities, manufactures, tariff preferences, development finance and insurance, shipping, transfer of technology and economic co-operation among developing countries, and by other subsidiary bodies. The problems of the least developed countries and of Africa's economic recovery receive special attention in UNCTAD's work. The UNCTAD staff–part of the United Nations Secretariat–numbers about 400 and is headed by a Secretary-General, currently Mr. Kenneth K. S. Dadzie (Ghana).

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Michael C. Bonello, Editor

THE GENERALIZED SYSTEM OF PREFERENCES COMES OF AGE

As the Generalized System of Preferences (GSP) moves into its twenty-first year–the first scheme was launched in 1971–it is showing clear signs of fulfilling the expectation of its promoters that it would help to increase export earnings, promote industrialization and accelerate the economic growth of developing countries. This article brings together the latest available information concerning the GSP and reports on the recent session of the UNCTAD Special Committee on Preferences.

GSP Exports Increase Five-fold

Developing country products exported under the GSP schemes of OECD countries increased from $12 billion to over $60 billion between 1976 and 1990. The growing use of the GSP which these figures suggest is confirmed by the 16 per cent annual average increase in OECD preferential imports during this period, a rate almost twice as fast as that of OECD imports from all sources and also of total imports from GSP beneficiary countries.

The successful record of the GSP to which these figures testify is attributable to a number of factors, viz: the continuous efforts by preference-giving countries to improve the product coverage of their GSP schemes; the simultaneous efforts of developing countries to strengthen their export supply capabilities and to diversify their export base towards non-traditional products with a higher value-added content; and an increased awareness of the advantages of the GSP resulting from UNCTAD/UNDP technical co-operation activities.

Despite this impressive growth in GSP exports, the potential for further expansion exists. In fact, less than 50 per cent of dutiable imports into preference-giving countries from developing countries are covered by the GSP, and of those only 41 per cent have actually received preferential treatment. An important way of realizing this potential would be to include more dutiable products of interest to developing countries in the GSP and to reduce, or eliminate, quantitative and other limitations which currently apply under some schemes.

Improving the GSP

The use of the GSP system by an increasing number of developing countries and the generally positive experience of both preference-giving and receiving countries provided an encouraging backdrop to the deliberations of the Special Committee on Preferences which were concluded on 17 May. The Committee unanimously adopted a resolution which could have a significant bearing on the future of the GSP. In it the Committee reaffirmed the importance of the system's objectives and recognized that UNCTAD VIII will provide an opportunity for further consideration of the GSP as an instrument of development co-operation. This recognition of the GSP's utility by preference-giving countries had already led several of them before the meeting, including Japan, Finland, Switzerland, Austria, Norway, Sweden and Poland, to extend their schemes for additional periods.

With regard to the improvement of GSP schemes, the resolution called upon preference-giving countries to provide a more comprehensive product coverage. It also recognized the need for the schemes to provide meaningful preferential tariff margins aimed at achieving duty-free treatment for products of interest to developing countries. The addition of products which are currently excluded from the GSP and an increase in preferential margins on them would enable beneficiaries, at all stages of development, to benefit more substantially.

Under some GSP schemes, any significant improvement in the product coverage and in other features would require that certain safeguard provisions be implemented in order to provide preference-giving countries with a measure of control when significantly competitive suppliers penetrate their market. One form of such protection is afforded by the so-called "graduation measures", which are of two main types. The first type is country/product graduation, under which a single product exported by a beneficiary country can lose the preferential treatment it receives in the market of a single importing country. The second type is country graduation under which a preference-giving country can graduate a country out of the scheme for all products covered by it. Schemes which currently contain provisions for country/product graduation include those of the United States, Finland, the EC and New Zealand. Schemes with criteria for country graduation include those of the United States, the EC, Switzerland, Poland, Bulgaria, New Zealand and Japan.

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Developing countries expressed concern in the Committee that the competitiveness criteria used to trigger graduation are arbitrary and differ widely from one scheme to another, thereby imparting instability and lack of predictability to the schemes. While recognizing that the individual GSP schemes are autonomously operated by preference-giving countries due to their non-reciprocal nature, developing countries argued that if graduation is to be applied in cases where sustained competitiveness is alleged, a multilaterally agreed framework should be negotiated to set the limits within which the competitiveness criteria could be applied. Within these limits the individual preference-giving countries could select the competitiveness indices they would employ.

Another topical issue concerns the harmonization, simplification and improvement of the various rules of origin under the GSP. In this regard, the resolution recognized the potential contribution which preference-giving country content in the rules of origin could make in stimulating economic co-operation and two-way trade between developed and developing countries. Under this provision, imported inputs from preference-giving countries are further processed in the beneficiary country and exported back under the GSP, thus making it easier for the rules of origin requirements to be met. Preference-giving countries were urged by the meeting to consider incorporating this element into their schemes in order to liberalize the rules of origin. The Committee also recognized that, in an interdependent world economy, the introduction of regional and subregional cumulation facilities under the GSP could facilitate economic co-operation among developing countries. These forms of cumulation allow all countries of a particular regional or subregional grouping to be counted as one for rules of origin purposes, thus making it easier for them to satisfy the minimum requirements necessary to qualify for GSP treatment.

The important role of technical co-operation as a complement to the efforts of developing countries to better utilize the GSP was also recognized. The resolution urged that the recommendations contained in a report which had evaluated UNCTAD's technical co-operation programme related to the GSP, among them the need to adapt the programme to the changing needs of developing countries at various levels of development, be taken into account by the secretariat.

In connection with the increased utilization of the GSP by developing countries and as a complement to the technical co-operation programme, the secretariat is currently completing a computerized information system which will be distributed to GSP focal points and/or export promotion centres of beneficiaries of the various schemes. This system will enable focal points and trade promotion centres in developing countries to provide detailed information to exporters on the treatment available to their specific products under any GSP scheme.

The extent to which improvements in, and liberalization of the GSP can be accomplished is linked to the outcome of the Uruguay Round of Multilateral Trade Negotiations. In this context, the degree to which MFN tariff reductions erode preferential margins in the Uruguay Round will affect the possible improvements of the GSP which preference-giving countries can introduce, i.e. greater liberalization of the schemes may occur as offsets to any significant erosion of GSP margins due to the Round.

If the points raised in the resolution are acted upon, the next phase of the GSP should witness an even broader product coverage and a more liberalized trading framework. This, in turn, would encourage developing countries to further diversify their manufacturing output towards non-traditional product lines with a higher value-added content and thereby increase their export earnings. At the same time, the importance of the GSP as a multilateral trade policy instrument would be enhanced.

TECHNOLOGY TRANSFER: CHALLENGES AND POLICY OPTIONS FOR THE 1990s

At its recent meeting in April, which was attended by delegations from 75 countries including some 30 experts from capitals, the UNCTAD Committee on Transfer of Technology unanimously adopted a resolution which focuses on reducing the technological gap between developed and developing countries. This article explains the significance of the resolution and provides a summary of the documentation prepared for the Committee by the secretariat.

Policy-oriented Resolution

The resolution contains policy conclusions on a number of important issues. For example, it calls on governments to adopt measures to increase technology flows to developing countries and to facilitate the access of these countries to technology, particularly the modern technologies of critical importance for their development, and it links these steps to the objective of reducing the

North-South technological gap. In recognition of the trend towards growing co-operation among enterprises in the generation and transfer of technology, the resolution also recommends that governments intensify R and D co-operation through the training of, and joint research with, personnel in laboratories of developing and developed countries; and calls on developed country governments to provide incentives to enterprises to undertake R and D activities in developing countries and to associate enterprises of the latter countries in existing inter-firm R and D collaboration schemes.

The importance of biotechnology for developing countries is also recognized by the resolution. It requests developed country governments to explore how to involve developing countries in R and D activities in biotechnology and how to facilitate the transfer of biotechnologies to them. It also underscores the needs of the least developed countries in a section on technical co-operation, which recommends specific support measures for technological infrastructure, capacity-building and human resource development.

On two other important topics, the environment and the brain drain, the resolution recommends that development partners support developing countries in their efforts to acquire, create and develop the skills and knowledge necessary for the development of environmentally-sound technologies; and that developed country governments consider providing increased support to existing international programmes designed to help developing countries benefit from the expertise accumulated by their nationals residing abroad.

Through the resolution the Committee also showed appreciation of the activities of the Advisory Service on Transfer of Technology and identified specific areas in which it could respond to the changing needs of developing countries for technical co-operation. Finally, the resolution provides guidance for the secretariat's work programme. In this context, the request for a study on the implications of the interrelationships among technology, trade, services, availability of financial resources and investment at the global level is significant in that it testifies to UNCTAD's comparative advantage as a forum in which technology and related issues can be addressed in an integrated way.

Challenges of a Changing World Environment

The Committee's deliberations, which preceded the adoption of the resolution, had centred on two main topics, viz. the factors affecting the transfer and development of technology in the latter part of the 1980s and the challenges of the new decade; and the trade and development implications of biotechnology for the developing countries. These issues had been examined in two studies prepared for the meeting.[1]

The first study considers the technological implications for developing countries of some current global developments, pointing out that the latter will affect the pace of technological change in these countries through their impact on the production decisions of industrial enterprises. One such development has been the failure of technology flows to the majority of developing countries, as measured by foreign direct investment and imports of capital goods, to improve significantly from the depressed level of the first half of the 1980s. In many cases financial constraints outweighed the positive effects of legislation designed to attract foreign investment and contributed to a growing inability to acquire the technology that would be required in order to maintain or achieve international competitiveness. In contrast, technology flows accelerated for a small number of countries in Asia.

Another significant aspect of the environment for the transfer of technology are the recent advances in biotechnology, materials technology and microelectronics. The number of countries whose firms are able to generate new technologies has grown, as has the number of countries whose firms can use and compete internationally with innovations developed elsewhere. The increasingly competitive global climate which has ensued has induced policy changes, both by firms and by governments, a development that is likely to affect the transfer of technology to developing countries.

The trade impact on developing countries of the above-mentioned technological advances in developed countries varies as between raw materials producers and manufacturers. The overall depressing effect on the demand for raw materials suggests it is unlikely that the growth of raw materials exports from developing countries will return to the rate achieved in the 1960s and 1970s. On the other hand, the impact of technological progress on industry will depend on the extent to which developing countries will be able to acquire and use the new technology. Those countries which will benefit the most are those which already have an industrial, technological and scientific base and are able to attract foreign investment. Since the majority of developing

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[1] *"Transfer and development of technology in a changing world environment: the challenges of the 1990s" (TD/B/C.6/153), and "Trade and development aspects and implications of new and emerging technologies: the case of biotechnology" (TD/B/C.6/154).*

countries are at a comparative disadvantage in these two respects, the study suggests that the spread of new technologies may widen the gap between them and developed countries in the years ahead.

A further development with possible implications for developing countries is the growing tendency for companies in developed market-economy countries to seek protection for their innovations by securing increased governmental enforcement of intellectual property rights protection. Partly for this reason, but also in order to exploit economies of scale and complementarities in R and D, many companies have formed strategic alliances or R and D networks with competitors, customers and suppliers. The combined effect of these trends would be to raise the cost of, and access to technology for developing countries in certain industries, particularly pharmaceuticals, chemicals and semi-conductors. However, in most other industries, the evidence suggests that commercialized technology would continue to be available from a variety of sources and forms at competitive prices.

The changes now under way in the pattern of international trade relations, especially the adoption of a liberalized trading system through the Uruguay Round and the enlargement of the European space will also have an impact on technology transfer to developing countries. With respect to the trading system, the study considers that three technology-related reforms which have been proposed are of particular concern. These are: the uniform imposition of stricter international standards of intellectual property rights enforcement; restrictions on the use of investment measures; and the liberalization of world trade in services. The impact of these reforms on developing countries depends on the extent to which asymmetries in levels of industrialization and technological capabilities between developed and developing countries are ultimately taken into account in the final agreements.

As for the completion of the single European market in 1992 and the reorientations taking place in Eastern Europe, these could also affect developing countries adversely by diverting not only trade, but also some technology flows away from them. On the other hand, the longer-term trade-creating effects of these developments could also generate new opportunities for international technological co-operation.

Finally, the transfer and development of technology is an essential component of any strategy for the protection of the environment. The application of environmentally sound technologies–whether imported or developed locally–can contribute significantly to raising the productivity and sustainability of resources in such areas as agricultural production, renewable energy generation and pollution control. A large part of the challenge, therefore, will be to ensure the widest possible diffusion of these technologies, overcoming such obstacles as lack of knowledge and ability to pay for them.

Technology Transfer and the Experience of Developing Countries

The second part of the study draws some lessons from the recent experience of a few developing countries, particularly in East Asia, in building up the technological dynamism of their industries, that is the ability to absorb and efficiently deploy innovations, adapt them to local conditions, improve upon them and ultimately create new knowledge. Starting from the observation that there is a considerable variation in the efficiency with which developing countries have undertaken the industrialization process, the study notes that an essential component of efficient industrialization is technological dynamism. At the national level, this is the result of an interaction between enterprise capabilities, incentives and institutions. Mere possession of skills is a necessary, but not a sufficient, condition. This is borne out by the experience of Eastern Europe, where there has long existed an ample stock of human capital and technical skills, but where a lack of market-based incentives, combined with institutional weaknesses and isolation from world technologies led to poor industrial performance. While human resources may not be the binding constraint in the industrialization of some, mainly Latin American, countries, they do constitute major impediments to development in others such as the sub-Saharan countries.

A review of several indicators of industrial and technological performance of 29 developing countries in 1970-1988 reinforces the impression of dynamism in the more advanced economies of East Asia–Hong Kong, Republic of Korea, Singapore and Taiwan Province of China–and to a lesser extent in the newly industrializing countries, such as Indonesia, Malaysia and Thailand. The experience of these countries suggests that "export orientation" does not constitute a uniform set of policies, nor does it necessarily carry non-interventionist connotations. Two major elements, namely the incentive structure in product markets and intervention in factor markets, form an integral part of the policy package implemented by successful exporters. It is pointed out that even among the more advanced economies of East Asia, a wide

CALENDAR OF UNCTAD TECHNICAL CO-OPERATION TRAINING ACTIVITIES

Subject	*Date*	*Location*	*Type of Activity*
Generalized System of Preferences (GSP)	August	Windhoek (Namibia)	Regional seminar
	"	" "	National seminar
	September	Hanoi (Vietnam)	"
	"	Vientiane (Lao PDR)	"
	"	Kinshasa (Zaïre)	"
	"	Addis Ababa (Ethiopia)	"
	October	Ulan Bator (Mongolia)	"
TRAINFORTRADE	October	Turin (Italy)	Workshop on Trade with EC after 1992
Restrictive Business Practices (RBPs)	September	Warsaw (Poland)	Regional seminar
	10-23 September	Seoul (Rep. of Korea)	"
	16-20 "	Bangkok (Thailand)	"
	23-27 "	Kuala Lumpur (Malaysia)	National seminar
	October	Tunis (Tunisia)	"
Trade Facilitation and Automated System for Customs Data (ASYCUDA)	September	Harare (Zimbabwe)	Reg. Management Course
	"	La Rochelle (France)	Course for Trainers from ECOWAS and CEEAC countries
	"	Mexico City (Mexico)	Reg. Training Course
	7 October-18 November	Fiji	"
Shipping	August	Quetta (Pakistan)	Multimodal Transport National Workshop
	"	Ulan Bator (Mongolia)	"
	"	New Delhi (India)	"
	September	Lima (Peru)	"
	"	La Paz (Bolivia)	"
	"	Rio de Janeiro (Brazil)	"
	10-25 September	Dunkirk (France)	Trainmar Workshop

This calendar will appear periodically in the UNCTAD Bulletin. Persons interested in obtaining information on any of the above-mentioned training activities are invited to contact the Chief, Joint Technical Co-operation Unit, UNCTAD, Palais des Nations, 1211 Geneva 10, Switzerland.

range of strategies have been followed, although all have commonly been labelled "export-oriented". Thus, Hong Kong has come closest to a *laissez-faire* approach, whereas the Republic of Korea has resorted to some import-substituting measures, though very selectively and for a limited period, that is the "infant industry" period. Although both economies are successful and competitive, the resulting industrial structures are vastly different.

The study goes on to observe that an interpretation of these experiences which attributes industrial success almost exclusively to "getting prices right" in a supposedly efficient market setting, overlooks the significance of capabilities and institutions. It also underemphasizes the positive role of policy instruments, especially selective ones, in providing correct incentives and generating the technological capacity to respond to those incentives. On the other hand, while policy interventions are necessary for sustained industrial development, not all are efficient or desirable. Recent history is indeed fraught with cases of inefficient intervention. Experience shows that technological dynamism has been achieved through a combination of incentives with appropriate capabilities and institutions, supported by a proper mix of selective and functional policy interventions.

Need for a More Supportive Environment

The study concludes that a more favourable environment for promoting technology transfer and technological dynamism in developing countries would be based on a number of elements. First, in order to revitalize investment in new technology, decisive steps by the international community are needed to reduce the adverse effects of financial and balance-of-payments constraints on economically stricken countries, especially in developing America and Africa. Secondly, the resolution of outstanding Uruguay Round issues, particularly in areas such as intellectual property, services and investment measures, should be accomplished in a way

which takes full account of the interests of developing countries. Thirdly, the experience of successful East Asian industrializers would seem to suggest some re-direction of structural adjustment programmes towards a stronger combination of capabilities, market incentives and institutions conducive to technological dynamism. Finally, there is a need to further explore initiatives for stimulating technological co-operation, such as a new look at mechanisms in developed countries for encouraging technology transfer to developing countries; possible measures for encouraging non-commerical forms of enterprise-to-enterprise co-operation in the training of engineers, technicians and R and D personnel; and new approaches to technological co-operation among developing countries and their enterprises on the lines of the schemes which exist in EC countries.

The Potential of Plant Biotechnology in Developing Countries

The second secretariat study draws on research in the field of agricultural biotechnology which is being carried out jointly by UNCTAD and the United Nations Industrial Development Organization (UNIDO). The focus on agricultural, and particularly plant biotechnology is explained by the fact that agriculture remains the main source of GDP growth and foreign exchange earnings for many developing countries; that biotechnology is expected to have the largest production and trade impact in agriculture; and that it is through agriculture that developing countries may have the best chance of obtaining access to modern biotechnology.

The purpose of the study is to investigate the trade and development potential of biotechnology for developing countries. It does so by assessing the extent to which the latter are likely to benefit from the results of the research being carried out in developed market-economy countries: it examines the implications of the "privatization" of this research, its relevance to developing country problems and the status of research in and for developing countries.

The study first explains that the two main aims of plant biotechnology are to increase the efficiency of plant breeding by permitting the rapid reproduction of plants on a massive scale, thereby making it possible to identify and propagate superior varieties; and by introducing entirely new and improved characteristics to plants and their offspring, outside of normal reproductive processes. The first of these objectives comes under what is known as plant and tissue culture while the second is popularly known as genetic engineering. The study shows that these two main techniques can potentially be applied to breeding programmes for a wide range of crops exported or imported by developing countries. For plant and tissue culture alone it is estimated that the potential value of crops exported by developing countries for which commercially interesting results could be expected in the next five years is of the order of $20 billion.

The actual impact on developing countries' agricultural trade will, however, depend on the complex interaction of an array of not only technical but also economic and institutional factors. Most relevant is the extent to which a significant diffusion, transfer and application of biotechnology to the improvement of crops cultivated in developing countries will take place. The study questions the likelihood that developing country agriculture will necessarily benefit. In part this is because of such developments as the increasing trend towards secrecy in agricultural research associated with the growing importance of private as compared with publicly-funded R and D, the tendency of universities and public institutions to link themselves with the private sector, and the drive to extend industrial patent protection to biotechnological innovations.

This "privatization" of the knowledge produced by biotechnology research contrasts starkly with the openness and incitement to widespread dissemination of the results of largely publicly-funded and freely-accessible Green Revolution research that contributed so much to raising agricultural productivity in many developing countries. It also puts at a disadvantage the many developing countries that are unable to participate in the emerging networks of agro-business firms, specialized research laboratories and public institutions in which biotechnology research is jointly being carried out.

The second impediment to the application of plant biotechnology to developing countries stems from the fact that, unlike chemical or mechanical engineering, advances in agriculture are not readily transplanted from one locale to another without considerable investment in adaptation techniques. This is because, although many of the crops grown in both developed and developing countries are the same, the research objectives being targeted, such as the type of pest or of environmental stress, differ. Moreover, except for a handful of major tropical exports, the private sector in developed market-economy countries has little commercial incentive to invest in the adaptation and transfer of biotechnology innovations to agriculture in developing countries. Hence, the ability of most developing countries to realize the potential offered by

biotechnology for their agricultural production and exports will depend in part on the size and quality of their investment in adaptive R and D.

Fortunately, as the study points out, since most of the projected applications of biotechnology to agriculture will only produce commercial results after a considerable time-lag, a number of steps could be taken by developing countries and by the international community on their behalf to prepare the ground. These might include the establishment of research and training priorities in agriculture and traditional plant breeding attuned to the level of existing national capabilities; the exploration of mechanisms for the transfer of useful biotechnologies from enterprises in industrialized countries to developing countries; an enhanced role in agricultural biotechnology for the International Agricultural Research Centres and special attention to the promotion of research on crops important to developing countries but not grown in developed countries.

The question of intellectual property rights protection of living matter is a controversial topic whose implications for the creation and dissemination of innovations in biotechnology are not well understood. There is, therefore, also a need to study more carefully how different types of reform would achieve the aim of stimulating invention and promoting technology transfer and co-operation in the area of biotechnology, particularly in developing countries, before agreement is reached on the adoption of uniform international standards for protecting living material. A related issue meriting study is the corresponding protection of the traditional crop breeding by farmers in developing countries that has never been remunerated as such and which could serve as a means of conserving plant genetic resources. Moreover, since the International Agricultural Research Centres and other publicly-funded research organizations are encountering increasing difficulties in gaining access to privately-controlled genetic material due to the growing use of property rights protection, it may be advisable for them to consider adopting proprietary protection for their own innovations in order to be able to assure the access to them of researchers and plant breeders in developing countries.

The study concludes that the application of biotechnological innovations to agriculture offers a great opportunity to expand the food production base of developing countries without compromising sustainability. It also offers an opportunity to improve export earnings. The challenge for governments is to mobilize the international co-operation that is required in order to realize these opportunities.

MIXED PROSPECTS FOR DEVELOPING COUNTRY EXPORTS

Despite some progress towards trade liberalization in developed countries in the past few years, market access conditions for developing country exports have not improved significantly. Many developing countries, on the other hand, have continued to implement trade liberalization policies in an effort to improve their international competitiveness and export supply potential. Against the background of recent trends in world trade, this article reviews some major aspects of trade policy, in particular the impact of non-tariff measures on developing countries, and examines some important changes of a structural nature.[1]

World Trade Slows Down

Trade policy developments must be seen in the context of a weakening world economy and a slowdown in trade, accentuated in 1990 by the Gulf crisis. The 7 per cent rise in the volume of world trade in 1989 was well below the record 9 per cent of 1988. Growth is estimated to have decelerated further in 1990, perhaps to the 5-6 per cent level. Prominent features in 1989 were a slightly slower growth of exports from developed market-economy countries, 7 per cent as compared to 8 per cent, a halving in the growth rate of developing country exports to 6 per cent, and an almost 2 per cent decline in exports from Eastern Europe *(see table on p. 10)*. China's export growth slowed down too, but remained strong at 8 per cent. These trends are thought to have continued in 1990, with declines to 6 per cent for developed countries and 5 per cent for developing countries, although Africa and Latin America are expected to have posted improved performances compared to those experienced in 1989. In Eastern Europe, the slowing down of East-East trade is expected to produce an export contraction for the region of around 11 per cent in 1990.

Trade Policy Developments

Over the past year or so there has been considerable trade policy reform in the USSR and in countries in Eastern Europe, which are now fully committed to liberalizing their trade regimes

[1] *This article draws on two recent studies prepared by the UNCTAD secretariat, viz. "Problems of protectionism and structural adjustment" (TD/B/1282 and Add.1) and "Costs and consequences of non-tariff measures which adversely affect exports of developing countries" (TD/B/1284).*

and to integrating their economies in the international trading system. Developing countries as a whole continued to move in a similar direction, but a special feature in 1990 was the marked progress observed in the Latin American region, where reforms have resulted in a reduction of tariffs, a simplification of tariff structures and a dismantling of most non-tariff measures.

Developed countries have taken steps to support the reform process in the USSR and Eastern Europe, notably by providing them with a more favourable tariff status than previously and by dismantling specific non-tariff measures. A number of quantitative restrictions on imports from countries in Eastern Europe have been eliminated, particularly by the European Community. Trade liberalization measures in favour of developing countries have been more modest. Most of the quantitative restrictions which existed before the launching of the Uruguay Round were still in force in December 1990 and the share of trade covered by non-tariff measures has not diminished to any significant extent. Moreover, the use of anti-dumping actions remains a source of concern, even though the number of new anti-dumping and countervailing duty actions continued to fall from the peak levels of the mid-1980s.

Tariff Treatment Becomes Less Preferential

The overall impression obtained from recent trends is that preferential tariff treatment for developing countries is being further eroded. The principal developments in this context are the new free trade agreements between developed market-economy countries; the granting of GSP status to countries in Eastern Europe which were previously GSP preference-giving countries themselves; and the exclusion of certain major developing country exporters of manufactured products from GSP schemes of certain preference-giving countries. Consequently, trade-weighted average import duties on goods from developing countries are often higher than on imports from other developed countries.

The question of the erosion of preferential treatment is particularly relevant to Africa. Thus, while tariff concessions in the Uruguay Round on exports from sub-Saharan African countries may produce different effects for each of the major markets, it appears that on the basis of the tariff offers made by major industrialized countries as at the end of July 1990 the African region is the only one among the developing regions which would experience an aggregate net loss in export revenues, both in tropical products and national resource-based products.

VOLUME GROWTH OF EXPORTS, 1980-1990

(Annual average growth rates, percent)

	1980-1985	*1986-1989*	*1986*	*1987*	*1988*	*1989*[a]	*1990*[b]
World	2.3	6.6	4.0	5.5	8.5	7.0	6.0
Developed market-economy countries	3.3	5.6	1.3	5.2	8.2	7.2	6.2
Developing countries	–1.2	10.7	12.4	12.7	11.7	6.0	5.1
Africa	–5.1	1.5	5.2	4.7	0.5	–4.3	3.3
Latin America	3.7	4.1	–2.5	8.3	9.4	1.6	4.3
Asia	–1.2	14.3	19.1	15.8	14.2	8.2	5.6
Eastern European countries	3.4	2.5	5.2	2.3	4.4	–1.6	–10.5
Socialist countries of Asia	12.5	10.6	10.2	16.7	10.4	7.9	7.0

Source: UNCTAD secretariat based on data from official international sources.

a Estimates.

b Forecasts.

Non-tariff Trade Barriers and Developing Countries

Though they still represent a considerable obstacle to trade, tariffs are not, however, the most important barrier. Attention has increasingly been directed at the wide variety of non-tariff instruments used by governments to protect their domestic industry. The list of such measures is very long, ranging from very strict explicit measures such as import quotas and voluntary export restraints to subtle customs procedures and health, safety and technical standards. In general the explicit measures tend to have a more limiting effect on trade flows than the implicit ones.

By far the most serious non-tariff measure affecting developing countries is the GATT Multi-fibre Arrangement (MFA), under which exports of textiles and apparel from over 30 developing countries are limited by export quotas resulting from bilateral agreements negotiated with importing developed countries. It has been estimated that, for many developing country exporters, prices are roughly 25 per cent higher as a result of trade restrictions, including tariffs and MFA quotas. The rents associated with these higher prices are split in almost equal proportions between developing country exporters, who receive the quota rents, and developed country governments, who collect tariff revenues. These quota rents are a small compensation for the very large sacrifice in export volumes that result from the MFA.

With regard to non-tariff measures affecting non-textile exports, the UNCTAD secretariat has produced some estimates of the likely export losses incurred by developing countries. Quantifying the effects of these measures on international trade flows involves first their identification, their categorization to determine which of them are likely to have the more adverse effects on exports, and finally, an estimation of the costs to developing countries.

With regard to products of interest to developing countries, 3,845 country product cases have been identified using the UNCTAD data base on non-tariff measures, involving some US$25.6 billion worth of exports. Products studied account for 70 per cent of the exports from developing countries to Australia, Austria, Canada, the EC, Finland, Japan, Norway, New Zealand, Sweden, Switzerland and the United States. The major product sectors are: seafood in Japan; sugar in the EC, Japan and the United States; tuna and steel products in the United States; and agricultural products, consumer electronics, footwear and steel in the EC.

Estimating the costs of non-tariff measures in terms of export losses is an extremely difficult task. The methodology is based on the concept that the loss in exports is the difference between the actual level of exports that did exist in the presence of a particular measure and the higher level of exports that would have been reached without it. This hypothetical level of exports is estimated on the basis of the trade experience of a control country. In general the control country is the world's largest importing developed country among those countries that do not impose a non-tariff measure on the product. A control country is identified for each product subject to a particular measure. Calculations carried out on this basis suggest that in 1988 non-tariff measures lowered exports from developing countries by an estimated US$4.6 billion, or by 18 per cent of their current exports of the products to the countries imposing the restrictions.

While acknowledging the weaknesses of the methodology, the UNCTAD analysis notes that the results obtained have been checked against those included in a recent study on the economic effects of significant import restraint conducted by the United States International Trade Commission (USITC). The USITC study confirms the UNCTAD results for textiles and apparel, including the price and quantity effects. It also identifies the steel sector as being subject to numerous restraints that apply to developing countries. Regarding agricultural products, the USITC study confirms the significant restraining effects of sugar quotas. There are also very strict limits on United States imports of cotton, dairy products and peanuts, although it should be noted that the base levels of imports of these products are very low.

Structural Developments

Apart from the continuing impact of protectionist measures, the export prospects of developing countries in the coming years are also likely to be influenced by a number of structural developments, among them the expected completion of a single European market in 1992, the reforms in Eastern Europe and the USSR, and the growth of trade between Japan and South-East Asia.

While the once-and-for-all increase in income which the formation of a single European market is expected to bring about may yield export gains to developing countries, the removal of internal barriers within the Community and its southward enlargement are likely to lead to some displacement in their imports by supplies from within the EC. The net impact remains a matter for speculation. However, if the completion of the single market and the full incorporation of its new members are to have a stronger trade-creating

than trade-diverting effect, protectionist pressures that may arise within the EC will have to be resisted.

As for the opening up of the economies of Eastern Europe and the USSR to international trade, this could result in the creation of new export opportunities for developing countries. However, it could also give rise to more intense competition between producers in Eastern Europe and the USSR and those in developing countries in the markets of the developed market-economy countries. Much will depend on the trade policies adopted in Eastern Europe and the USSR. Should these countries adopt a defensive stance in the face of mounting economic difficulties, the beneficial effects for developing countries would be limited. In the short term, countries in Eastern Europe are unlikely to generate competitive exports which are sufficiently large to replace exports from developing countries in the markets of developed market-economy countries on a substantial scale. However, over the medium term, competition could increase as structural changes in Eastern Europe result in improved export potential in sectors in which developing countries have established export supply capabilities. Developed countries therefore need to ensure that the preferential market access they grant to countries in Eastern Europe does not lead to trade diversion at the expense of the more industrialized developing countries.

The third structural development which is likely to influence the export prospects of developing countries is the surge in Japanese imports since 1985 and in imports of manufactures in particular, which is the result of a number of interrelated factors. The first is the industrial restructuring which has become a central policy objective since the yen began to appreciate in 1985. The aim is to transform the structure of Japanese industry, moving it away from its self-sufficient nature towards greater specialization,with the accent on higher value added and technologically more advanced fields of activity. Moreover, the increased internationalization of production by Japanese firms has speeded up since the early 1980s, and a significant share of such production abroad has been accounted for by inputs or components for Japanese firms serving their domestic market. As regards trade policy, several measures have been taken to improve market access for foreign suppliers.

While the tripling of Japanese manufactured imports in value terms since 1985 is a welcome development, such imports from developing countries, however, remain highly concentrated on suppliers in South-East Asia. This results apparently from their competitiveness *vis-a-vis* other suppliers and their having supply capabilities in those goods which are in high demand in the Japanese market. A growing share of these imports, moreover, is supplied by Japanese affiliates. Developing countries outside the region which have not yet significantly benefitted from the import boom will, therefore, have to place emphasis on policies which promote the development of competitive supply capabilities in products for which the demand is growing rapidly in Japan. In the case of machinery and instruments, however, developing countries seeking to penetrate the market will probably have to attract investment by Japanese firms.

REVIEWS

TREES OF LIFE–PROTECTING TROPICAL FORESTS AND THEIR BIOLOGICAL WEALTH

Kenton Miller and Laura Tangley
World Resources Institute
Beacon Press, Washington, D.C., April 1991
224pp., US$9.95

This is the second in the World Resources Institute Guides to the Environment series for general readers, written to dispel confusion about complex scientific and environmental problems. *Trees of Life* surveys current and historical assaults on the world's tropical forests and examines the costs and consequences in human, economic and ecological terms. It offers hard-hitting recommendations for revamping government policies in both developing and industrialized countries to halt deforestation and shows what individuals can do.

This publication can be ordered from WRI Publications, Box 4852, Hampden Station, Baltimore, MD 21211, USA.

THE LEAST DEVELOPED COUNTRIES A Statistical Profile–1990

TD/B/1288

This *Statistical Profile* presents in one sheet key indicators of development on the 42 least developed countries (LDCs) as a group and individually. The statistical information provided is grouped under four main headings, viz. major economic indicators, social indicators, demographic indicators, and aid/debt indicators. For a number of key indicators, comparisons are made

between LDCs individually and as a group, on the one hand, and the average for other developing countries and for the developed market-economy countries, on the other.

DEVELOPMENT AND IMPROVEMENT OF PORTS

TD/B/C.4/AC.7/11/Supp.1

This report supplements an earlier one entitled "*Guidelines for port managers on the use of computers*" (TD/B/C.4/AC.7/11) and provides a more detailed description of computerized systems for operational purposes. The report, which is directed principally at the middle and higher-range port managers, describes a container control system, a general cargo control system and a system to follow the operation of ships in port. Each of these systems provides basic statistical indicators. It also presents some guidelines on the scope and organization of the computing services at a port as well as suggestions for a training programme based on UNCTAD's experience in developing countries.

TUNGSTEN STATISTICS–1990

United Nations publication
Sales No. E.91.II.D.4, US$25.00

In 1989 the UNCTAD Committee on Tungsten, which provides a forum for international consultations concerning trade in tungsten and promotes the improvement of statistics, decided to publish an annual statistical report. The 1990 edition is based on replies to questionnaires from the 29 members of the Committee, supplemented by UNCTAD secretariat estimates. It contains information on prices of tungsten concentrates and products, and on production and consumption of tungsten ores and concentrates. Data on trade include imports and exports by country of origin and of destination, by values and by quantity. Information on stocks is also provided.

"1992", FINANCIAL SERVICES AND THE URUGUAY ROUND

R. de C. Grey
UNCTAD Discussion Paper–No. 34, March 1991

This *Discussion Paper* examines several aspects of the trend towards more open financial markets and regulatory convergence in OECD countries, particularly those associated with the greatly increased unification of markets for goods and services in the European Community (EC) countries, which is often referred to by the catchword "1992". As far as financial services are concerned, "1992" comprises three types of measures, viz., those regarding cross-border purchases and sales of such services, those covering the establishment of a commercial presence outside a supplier's country of origin, and those directed at providing a minimum degree of harmonization of national regulation of the financial sectors in different EC countries. The *Paper* surveys key actual and proposed Directives of the European Commission dealing with banks, securities trading and the provision of insurance services.

The regulatory regime for banks being forged by the EC complements, and in several areas overlaps with, various rule-making initiatives undertaken by the Basle Committee on Banking Regulations and Supervisory Practices to which the *Paper* also draws attention. The set of rules resulting from these two closely connected processes bear importantly on a crucial area of the Uruguay Round negotiations for financial services, namely the provisions in an agreement regarding prudential and other types of regulation.

The *Paper* also examines the principal provisions of the Annex on financial services submitted by the EC to the Round in mid-1990, together with a proposed draft framework agreement for services as a whole. Many of these provisions are compared with a set of United States proposals in the same area.

THE USE OF COMPUTER TECHNOLOGY IN THE INSURANCE SECTOR OF DEVELOPING COUNTRIES

J. François Outreville
UNCTAD Discussion Paper–No. 38, April 1991

This *Discussion Paper* analyses the results of a recent survey of 123 insurance and reinsurance companies in 40 African countries which was designed primarily to determine attitudes and expectations with regard to the use of microcomputer technology. The insurance industry is considered to provide an excellent case study for this purpose since it is both information and labour intensive. The survey revealed a considerable awareness both of the potential advantages of using microcomputers and of the likelihood that this would result in reduced job creation in the services sector, particularly at the lower skill levels. In view of the existing shortage of qualified personnel in the insurance sector, another challenge for developing countries will be to ensure proper training in the use of microcomputers for insurance company employees. An encouraging finding was that more than half of the respondents expressed a preference for developing their own software.

HUMAN DEVELOPMENT REPORT 1991

United Nations Development Programme (UNDP)
Oxford University Press 1991, ix + 202 pp.

The *Human Development Report 1991* builds on the argument put forward in its predecessor–that developing countries have the resources to meet many of their development goals–by analysing the potential for restructuring national budgets in developing countries as well as foreign aid so as to better meet human needs. The *Report's* underlying premise is that a lack of political commitment, not of financial resources, is often the real cause of human neglect. It concludes that the best way to achieve human development is to promote more equitable economic growth and more participatory development, though the creation of adequate income-earning opportunities and ensuring that public spending focuses on human priority needs are also essential. The latter, it points out, are likely only in the context of a workable political strategy. The *Report* proposes a number of ratios as guides in the analysis of budgetary outlays on, and of aid allocations to human priority areas and makes suggestions for cost savings and increased spending efficiency.

The *Report* also reviews the state of human development, and contains an improved Human Development Index. This includes a "human freedom index" which is used to establish a relationship between freedom and development. The *Report* shows that rich countries as well as poor ones have room for more human development.

NOTES

LESSONS OF TURKEY'S MARKET ECONOMY EXPERIENCE

The Turkish experience in developing a market economy and its relevance for the reforming countries of Central and Eastern Europe was the theme of a symposium held in Antalya, Turkey, from 1-3 April. The event was organized by the Government of Turkey in co-operation with the OECD Centre for European Economies in Transition and in association with UNCTAD, ITC, UNDP and UNIDO. Topics discussed included the role of the State in the market-economy; adjustment in monetary policies and the financial system; foreign trade policies; liberalization of capital flows; foreign investment and joint ventures; debt management; and prospects for international co-operation in the transition to a market economy. In parallel with the symposium, a business week was organized aimed at strengthening economic relations between Turkey and the reforming countries.

NEW DIRECTOR FOR UNCTAD'S INTERNATIONAL TRADE PROGRAMMES

The appointment was announced on 4 April of Mr. Vijay L. Kelkar, a national of India, as Director and Co-ordinator of UNCTAD's International Trade Programmes. Since entering Government service in 1973, Mr. Kelkar has held various senior positions dealing with trade and technology. Before joining the UNCTAD secretariat, he had been Chairman of the Bureau of Industrial Costs and Prices and Secretary to the Government of India. Mr. Kelkar, who had already worked in UNCTAD in 1981-1982 as a consultant to the Secretary-General, is the author of several publications on trade policy and economic management and holds degrees from the universities of Poona (India), Minnesota (USA) and Berkeley, California (USA).

INTERNATIONAL AGREEMENT ON JUTE AND JUTE PRODUCTS ENTERS INTO FORCE

On 12 April countries representing nearly 90 per cent of world exports and over 60 per cent of world imports of jute and jute products decided to put into effect the international Agreement on that commodity adopted in 1989. The Agreement, which has a duration of five years with possible extensions, provides scope for close co-operation among producers and consumers of jute in particular in the field of research and development, market promotion, cost reduction and the improvement of quality and new end-uses for jute. It does not, however, include price or supply stabilization measures. The world's three main exporters of jute are Bangladesh (61.6 per cent), India (18.9 per cent) and China (8.7 per cent); the largest importer is the EC (24 per cent), followed by the USSR (17.6 per cent) and the USA (14.1 per cent).

NATIONAL MEETINGS ON TRADE EXPANSION WITH EASTERN EUROPE

National meetings were organized recently by UNCTAD in the Philippines and Singapore on the expansion of trade with countries in Central and Eastern Europe. About 200 officials, businessmen and experts attended a Workshop in Manila from 7-9 May 1991 which discussed issues such as how to expand trade between the

Philippines and the six participating countries from Central and Eastern Europe, and trade opportunities resulting from the reforms adopted by the latter countries. The meeting was hosted by the Department of Foreign Affairs of the Philippines.

The other meeting took the form of a Round Table on the Expansion of Trade between Singapore and six countries in Central and Eastern Europe. It was organized by the Singapore Trade Development Board, in collaboration with UNCTAD, and took place in Singapore on 14-15 May. The meeting, which was attended by 160 participants, provided an opportunity for contacts to be made between business partners of both sides in order to explore the potential for expanding mutual trade and economic co-operation.

BAUXITE PRODUCERS AND CONSUMERS AGREE TO MEET AGAIN

At the end of a one-week meeting which reviewed market trends and prospects for improved co-operation, 37 countries producing or consuming bauxite on 17 May requested the Secretary-General of UNCTAD to convene a second review meeting on bauxite as soon as possible after UNCTAD VIII. The meeting would review the market situation and examine the need, and the level of support for a producer-consumer forum on bauxite, alumina and aluminium.

FORTHCOMING UNCTAD MEETINGS

- ***September***
  23-4 October
  Trade and Development Board
  (Geneva, thirty-eighth session, first part)

- ***October***
  21-23
  Intergovernmental Group of Experts on Iron Ore
  (Geneva, fifth session)

  21-25
  Intergovernmental Group of Experts on Restrictive Business Practices
  (Geneva, tenth session)

- Trade and Development Board
  (Geneva, seventeenth special session, first part)
  (date to be decided)

PUBLICATIONS

- The Least Developed Countries: A Statistical Profile--1990 (TD/B/1288)
- Informal encounter on national governance: The respective roles of the public and private sectors in promoting sustainable development (UNCTAD VIII/1)
- Informal encounter on international trade and the environment (UNCTAD VIII/2)
- Discussion of issues for improved producer-consumer co-operation: The IPAI statistical system, by Alan Payne (TD/B/C.1/RM/BAUXITE/MISC.1)
- Discussion of issues for improved producer-consumer co-operation: Environmental protection and workers' health and safety in the Hungarian aluminium industry, by Jozsef Varga (TD/B/C.1/RM/BAUXITE/MISC.2)
- Discussion of issues for improved producer-consumer co-operation: Promoting the use of aluminium products and developing aluminium fabricating facilities in developing countries and regions, by the International Bauxite Association Secretariat (TD/B/C.1/RM/BAUXITE/MISC.4)
- Discussion of issues for improved producer-consumer co-operation: The current state of the bauxite/alumina/aluminium industry and short-term market outlook, by the International Bauxite Association Secretariat (TD/B/C.1/RM/BAUXITE/MISC.5)
- Discussion of issues for improved producer-consumer co-operation: Gibbsitic bauxite--some non-metallic applications, by J. W. Ramsahoye (TD/B/C.1/RM/BAUXITE/MISC.7)
- Discussion of issues for improved producer-consumer co-operation: Market transparency in the international aluminium industry--the viewpoint of a bauxite and alumina exporting country, by Dennis Morrison (TD/B/C.1/RM/BAUXITE/MISC.8)
- Handbook of private trading enterprises of Latin America and the Caribbean (UNCTAD/ECDC/213)

Discussion Paper Series

- "1992": Financial services and the Uruguay Round, by R. de C. Grey, No. 34, March 1991
- Financial liberalization in New Zealand, 1984-1990, by Simon Chapple, No. 35, March 1991
- Financial liberalization in developing countries: A neo-Keynesian approach, by Yilmaz Akyuz, No. 36, March 1991
- The Philippine financial sector in the 1980s, by Joseph Y. Lim, No. 37, March 1991
- The use of computer technology in the insurance sector of developing countries, by J. F. Outreville, No. 38, April 1991

Sales Publications

- The Least Developed Countries 1990 Report (Sales No. E.91.II.D.3, US$62)
- Tungsten Statistics 1990 (Sales No. E.91.II.D.4, US$25)

UNCTAD documents are available for reference at all United Nations Information Centres and at depository libraries for United Nations publications. The yearly subscription for all mimeographed UNCTAD documents is US$250 including postage. Requests for such subscriptions as well as orders for individual sales publications should be addressed to: United Nations Sales Section, Palais des Nations, 1211 Geneva 10, Switzerland.

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